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## **Mexico**

### **Agricultural Situation**

#### **Weekly Highlights and Hot Bites, Issue #38**

**2001**

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#### **Report Highlights:**

**Mexico Strives to Take Economic Lead in Latin America \* U.S. Dairy Product Sales in Mexico Look Bright \* Strawberry Production is Forecast to be Lower for MY 2001/02 \* Lower House Overrides Presidential Veto to Pass Rural Development Law \* New Reference Prices for Imported Apples \* More on HFCS Anti-Dumping Duties**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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## **MEXICO STRIVES TO TAKE ECONOMIC LEAD IN LATIN AMERICA**

As 2001 draws to a close, Mexico appears poised to become Latin America's largest economy, but it will face challenges in maintaining that position, according to an article in Miami's Latin Trade Magazine. Mexico's GDP will likely end the year in excess of 600 billion dollars, compared to 500 billion dollars forecast for Brazil's economy in 2001, according to an article titled "Mexico Eclipses Brazil" by Latin Trade editor Mike Zellner. Although Brazil has almost 70 million more inhabitants than Mexico and almost four times the territory, Mexico's continuing economic integration into the U.S. economy and the strength of its currency will allow it to pull away from the South American giant in the coming years, Zellner predicted. But the current tough world economic climate will force Mexico to confront a possible recession, or at best, flat growth. Citing Eduardo Javier Solis Sanchez, head of the Foreign Trade and Investment Promotion Department of Mexico's Ministry of Economy, Zellner noted that, "Unarguably, the North American Free Trade Agreement gave Mexico unique access to the world's largest single market." "[But] in the measure that the United States signs free trade agreements with other countries, Mexico will lose its preferential treatment," Zellner quoted. Additionally, Banco de Mexico, the nation's central bank, only recently began to loosen its monetary policy, and President Vicente Fox's administration is still struggling to obtain support to increase taxes. Mexico will also face stiff competition from Brazil for new investments and export markets. Meanwhile, foreign investors have a growing list of concerns regarding the risks of investing in Mexico. The Mexican government itself dealt another blow to investor confidence with the nationalization of 27 of the country's 60 sugar mills in July 2001. (Source: The News; 10/23/2001)

## **U.S. DAIRY PRODUCT SALES IN MEXICO LOOK BRIGHT**

Mexico is expected to continue as one of the most important markets for U.S. dairy products, given its NAFTA schedule for reducing and/or eliminating tariffs, coupled with projections for population and income growth. Worldwide exports of dairy products to Mexico were valued at approximately US\$548 million in 2000, and the U.S. share of those exports was approximately 30 percent. (Source: AAO/Mexico City 10/24/01)

## **STRAWBERRY PRODUCTION IS FORECAST TO BE LOWER FOR MY 2001/02**

Strawberry plantings in Mexico are forecast to be lower for MY 2001/02 compared to MY 2000/01, due to low international market prices for fresh and frozen strawberries. Also, costs of production are higher and credit is very restricted. Consequently, exports are not expected to increase much

from the previous year, unless international prices increase. The major market for Mexican fresh and frozen strawberry exports is the United States, with smaller amounts of fresh strawberry shipped by air to Europe. The industry has indicated that it will keep exporting lower volumes of frozen strawberry due to lower international prices and to prevent further price drops. (Source: AAO/Mexico City)

## **LOWER HOUSE OVERRIDES PRESIDENTIAL VETO TO PASS RURAL DEVELOPMENT LAW**

On Tuesday, October 23, 2001, seven months after President Vicente Fox vetoed a rural development law passed by Congress (the first presidential veto exercised since 1969), the Chamber of Deputies voted unanimously to pass a modified version of the bill. Legislators from the former ruling Institutional Revolutionary Party (PRI) and center-left Party of the Democratic Revolution (PRD) had assailed the president for rejecting the legislation, accusing him of leaving the nation's campesinos in a state of uncertainty. But on October 23, federal deputies from the two major opposition parties and the president's National Action Party (PAN) were patting each other on the back after passing a law they said also had the backing of the Fox administration. The bill will now go to the Senate, where it will need a two-thirds majority to become law. "There was a broad consensus among all the political parties," PAN Dep. Miguel Mantilla Martinez, a secretary on the Rural Development Committee, said in an interview on Tuesday. "Congress always had been subject to the executive branch, but this bill showed the legislature is starting to recognize its power." For nearly seven decades, the PRI held both the presidency and a majority in Congress, rendering legislative decisions a foregone conclusion.

The law aims to integrate government agriculture policy with health, education, housing and other government programs implemented in rural areas under a new Sustainable Rural Development Interagency Commission. In addition, the law creates an advisory council composed of government officials and representatives from campesino and other agriculture-related organizations in an effort to coordinate municipal, state and federal agriculture and rural development programs.

In March 2001, Fox vetoed the original bill, saying it was poorly structured and designed only to help a small sector of agricultural producers. Decried by indignant PRI and PRD congressmen, the veto also fueled a growing discontent among campesino organizations, which have carried out repeated nationwide protests in response to the deteriorating agricultural sector since Fox assumed office. Ironically, in April 2000, when former PRI President Ernesto Zedillo was still in office, PRI federal deputies voted in bloc against the very same bill they later criticized Fox for vetoing. The measure carried with votes in favor from PAN and PRD deputies. But when the legislation arrived at the Senate just after Fox took office last December, the PRI and PAN traded places. This time, PRI and PRD senators outvoted the PAN to send the bill on to the president.

Raul Perez Bedolla, an adviser to the Chamber of Deputies Agriculture Committee, attributes the PAN-PRI flip-flop to provisions in the original bill that would have bound the government to spend unrealistic amounts of money on agriculture programs, an eventuality both parties wanted to avoid while each held the presidency. The provisions, one of which would have forced the government to give the nation's campesinos the same subsidies granted to farmers in the United States, had been removed from the legislation passed on Tuesday. The outrage among opposition legislators over

Fox's veto had less to do with the veto itself than the excessively critical observations the president made when he sent it back to Congress, PRI Dep. Jaime Rodriguez Lopez said in an interview. "What most offended us was that the president showed a lack of respect for Congress," said Rodriguez, who is president of the Agriculture Committee. But with all parties and branches of government in agreement this time around, Rodriguez said he was optimistic the consensus achieved with the rural development law could be repeated in the future. "This law is proof that when there is an issue of national interest, the different powers and partisan forces can unite," said Rodriguez. "We want this to be an example for the future." (Source: The News; 10/24/2001)

### **NEW REFERENCE PRICES FOR IMPORTED APPLES**

On October 24, 2001, the Secretariat of Economy announced in the "Diario Oficial", (Federal Register) a new reference price for imported red and golden delicious apples from the United States that will apply from November 1, 2001 to October 31, 2002. The new price is US\$0.58 per kilogram FOB or US\$11.05 per box of 19.05 kilograms. This product is classified under the General Tariff Import Law number 0808.10.01. The previous reference price was US\$0.60 per kilogram or US\$11.48 per box of 19.05 kilograms. This announcement is in accordance with the terms of the anti-dumping suspension agreement between the U.S. industry and SE published on May 15, 1998. (Source: Diario Oficial 10/24/01)

### **MORE ON HFCS ANTI-DUMPING DUTIES**

The Secretariat of Economy (SE) indicated that it will continue to look for a negotiated solution with the U.S. with respect to the WTO and NAFTA resolutions on the HFCS anti-dumping duties. This was expressed by SE in reference to the WTO decision issued on October 22, reaffirming that the anti-dumping duties on imported U.S. HFCS were in violation of international trade law. Furthermore, SE indicated that Mexico is not yet obligated to comply, as a higher WTO body has yet to issue an order. Mexico, however, will have an opportunity to debate the WTO ruling on November 5, during a meeting of the Controversy Resolution Panel. (Source: The News, El Universal, Reforma 10/24/01)

### **REMINDER FOR PUBLIC COMMENTS ON PENDING PROPOSED REGULATIONS**

PROY-NOM-081-FITO-2001: Proposed rule for the handling and elimination of sources of infestation of nonregulated pests, by means of establishing or regulating planting, harvest and destruction of residue dates. **Deadline for Comments: October 29, 2001.**

### **REPORTS SUBMITTED RECENTLY BY FAS/MEXICO**

<b>Report #</b>	<b>Title</b>	<b>Date</b>
MX1190	Weekly Highlights & Hot Bites, Issue #37	10/19/01
MX1192	Strawberry Annual Report 2001/02	10/24/01

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